

EX PARTE OR LATE FILE 

Charles L. Ward
Regulatory Director
Federal Government Affairs

RECEIVED

JUN 1 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Suite 1000
1120 20th Street, N.W.
Washington, DC 20036
(202) 457-3884
FAX (202) 293-1049

June 1, 1994

DOCKET FILE COPY ORIGINAL

Mr. David A. Nall
Acting Chief, Tariff Division, Common Carrier Bureau
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Re: Ex-Parte in CC Docket No. 93-197,
Revisions to Price Cap Rules for AT&T

This letter provides a further explanation of how AT&T developed the market share numbers that were included in its petition for waiver of price cap regulation for AT&T's commercial long distance services (filed September 1, 1992). In that petition, AT&T requested a waiver of the Commission's Rules to eliminate the application of price cap regulation to these services. The Commission sought comment on AT&T's petition (see Public Notice, DA 92-1242, released September 11, 1992) and also incorporated its consideration of AT&T's request into its broader review of the price cap rules applicable to AT&T (see In the Matter of Revisions to

No. of Copies rec'd 045
List ABCDE



Recycled Paper

In its petition, AT&T showed that its share of the market for commercial long distance service customers had fallen by 15 percentage points between 1987 and 1991 -- from 54 to 39 percent. Although no party contradicted these market share data, one commenter did question whether AT&T could have reliable market share data about its competitors. As AT&T explained in its petition (p. 15 n.45) and in its reply to comments on the petition (filed October 27, 1992, p. 4), the share figures for carriers other than AT&T were computed using financial and regulatory submissions, public statements by competitors, and statistical extrapolation from customer surveys.

Specifically, AT&T obtained market information for other carriers from an independent outside vendor that compiles market data for interexchange carriers. The vendor's primary sources for its data are the quarterly financial reports (earnings releases, 10Qs and 10Ks) for publicly held carriers. For non-publicly held carriers, the vendor conducts an annual survey and obtains those carriers' Form P letter filings with the Commission. Through carrier-sponsored meetings with investment analysts, press releases, and discussions with individual carriers, the vendor determines the portion of each carrier's revenues attributable to business and consumer services. Business revenues by service are determined through carrier discussions and a semi-annual survey of more than 4000 business customers. Interexchange carrier tariff filings

and publicly disclosed pricing differentials with similar AT&T services are used to calculate average revenues per minute and minutes of use for each business service. The market share data that has been provided in this proceeding is thus fully supported and reasonable, as confirmed by the fact that there has been no evidence whatever offered to contradict AT&T's showing.

Further, a question was raised as to why AT&T had included customers who obtained service from resellers in the market share data for AT&T's competitors, rather than allocating customers of resold AT&T services to AT&T (see Price Cap NPRM, 8 FCC Rcd. at 5206). As AT&T explained in its reply to comments on its petition (p. 5), it cannot be disputed that resellers are competitors of AT&T at the retail level. Thus, it was entirely appropriate to include customers of resellers in the shares attributable to AT&T competitors. More importantly, and as AT&T further showed in its comments on the Price Cap NPRM (filed September 21, 1993, pp. 18-20), to the extent that a reseller provides an end user commercial long distance service by reselling an AT&T service, it does so by obtaining streamlined AT&T business services. The Commission has already removed these services from price cap regulation because it found them to be subject to effective competition.

The market share comparison provided by AT&T was for AT&T's price cap regulated commercial long distance services included in Basket 1, and comparable "retail" services

offered to end users by AT&T's competitors. Inclusion of streamlined services purchased by resellers (on a "wholesale" basis) in an evaluation of "retail" market shares would thus have been entirely inappropriate and would have rendered the comparison meaningless. Indeed, the Commission's analyses of market shares in the long distance market are consistent with AT&T's methodology. The Commission computes share for the long distance market by revenues, switched access purchases, and presubscription.¹ In all of these measures, resellers are not included in the shares of the carriers whose services are resold.

Finally, since the time that AT&T provided this market share analysis, competition in the market for commercial long distance services has continued to intensify. In particular, the conversation minutes of use of AT&T's Basket 1 commercial services have declined by 23.3 percent from 1991 to 1993 (from just under 4 billion to just over 3 billion). Further, in 1991, commercial long distance accounted for 6.2 percent of the conversation minutes of use for all Basket 1 services. By 1993, that number had declined to 4.5 percent. There can no longer be any doubt that this market is fully competitive, and that the public interest requires that the Commission further implement its

¹ See Long Distance Market Shares: Fourth Quarter, 1993,
released April 15, 1994.

policy of streamlining the regulation of commercial services.

I trust this provides you with the information you requested. If you have any other questions, please let me know.

Very truly yours,

Charles W. Hard